



Missouri
Department of
Natural Resources

**STATE OIL & GAS COUNCIL
JULY 12, 2011
MISSOURI DEPARTMENT OF NATURAL RESOURCES
KANSAS CITY REGIONAL OFFICE
500 NE COLBERN ROAD
LEE'S SUMMIT, MO**

OPEN SESSION

MEMBERS PRESENT: Mr. John Madras-Clean Water Commission; Dr. Shari Dunn-Norman, Missouri University of Science and Technology; Mr. William Luebbert-Public Member; Mr. Bill Duley-Division of Geology and Land Survey; Mr. Donald Ransom-Missouri Department of Economic Development; Mr. Kevin Gunn-Missouri Public Service Commission

MEMBERS ABSENT: None

LEGAL COUNSEL: Mr. Don Willoh-Assistant Attorney General

STAFF PRESENT: Mr. Jerry Prewett-Geological Survey Program Director; Mr. Scott Kaden-Economic Geology Unit Chief; Ms. Jane Williams-Geological Survey Program Executive and State Oil and Gas Council Secretary; Hylan Beydler-Division Information Officer

GUESTS PRESENT: Mr. Phil Frick-AltaVista Energy; Mr. Nick Powell-Colt Energy, Inc.; Mr. David Bleakley-Colt Energy, Inc.; Ms. Beth Wilson-Colt Energy, Inc.; Mr. Jace Graham-Palo Petroleum

With a quorum being present, the open session was brought to order by Mr. Madras at 10 a.m. Mr. Madras informed everyone that the meeting was being videoed and will be available to view on the Department's website. Mr. Madras introduced all Council members.

MINUTES OF THE APRIL 19, 2011 MEETING

Mr. Luebbert made a motion to accept the minutes of the meeting held on April 19, 2011 as circulated. Mr. Ransom seconded the motion. Motion carried.

UPDATE ON LEMCO OPERATING COMPANY PLUGGING PROJECT

Mr. Kaden updated the Council on the Lemco Operating Company plugging project. Mr. Kaden stated that staff are having some problems getting access to the land where some of the wells are located. Mr. Gunn made the following motion: "Council requests the Attorney General to take whatever steps necessary to allow DNR to enter the Lemco Operating Company property to proceed with the plugging project." Mr. Ransom seconded the motion. Roll call vote: Mr. Gunn, yes; Mr. Luebbert, yes; Mr. Duley, yes; Mr. Madras, yes; Dr. Dunn-Norman, yes; Mr.

Ransom, yes. Motion carried. Mr. Willoh asked Scott to contact a DNR investigator to do some legwork on this.

OIL AND GAS COUNCIL REGULATION AMENDMENT UPDATE

Mr. Kaden updated the Council on the amendment of regulations. Staff has an internal draft in the process of being finalized and will proceed with Stakeholder meetings in late August or early September. It is the intent for staff to present a final draft for the Council to review at the next meeting in October.

COLT ENERGY SPECIAL PROJECT STATUS REQUEST FOR ALLEN, NORTH RHODEN, AND SOUTH RHODEN LEASES

Mr. Bleakley with Colt Energy gave a power point presentation regarding their special project status request for the Allen, North Rhoden, and South Rhoden leases. Regulations establish spacing units for oil wells as one well per 40 acres. However, the Council issued an order in April, 2011 setting the spacing units at 2.5 acres in Jackson County and other oil producing counties. This petition requests approval from the Council to allow for the liberal location of both production and injection wells within these leases. This will allow Colt to utilize enhanced recovery techniques to recover oil on these leases which otherwise would be unrecoverable due to the geologic occurrence of the oil reservoir and the properties of the oil itself. After discussion, Mr. Gunn made the following motion: "I move that we approve the special project status of the Allen, North Rhoden, and South Rhoden leases." Dr. Dunn-Norman seconded. Roll call vote: Mr. Gunn, yes; Mr. Luebbert, yes; Mr. Duley, yes; Mr. Madras, yes; Dr. Dunn-Norman, yes; Mr. Ransom, yes. Motion carried.

COLT ENERGY LOCATION EXEMPTION REQUEST FOR THE NORTH RHODEN AND SOUTH RHODEN LEASES

Mr. Bleakley with Colt Energy gave a power point presentation regarding their location exemption request for the North Rhoden and South Rhoden leases. Regulations state that no well shall be drilled closer than 165 feet from the lease line. This petition requests the Council allow a location exemption for two proposed injections wells on the North Rhoden lease located 15 and 40 feet from this boundary and one injection well on the South Rhoden lease located 105 feet from this boundary. This would allow for the recovery of the oil that is located in the 165 foot setback. Mr. Ransom made the following motion after discussion and amendment: "In light of the fact that this is not a production well; that the adjoining property owner has waived the setback rights; and that if this well would become a production well, they would have to come back before us, I move that we approve the location exemption request for the 2 injection wells on the North Rhoden lease and the one injection well on the South Rhoden lease. Also, the Council would require a notarized letter from Mr. Smith (the adjoining property owner) waiving the setback rights to his property. Dr. Dunn-Norman seconded the motion. Roll call vote: Mr. Gunn, no; Mr. Luebbert, yes; Mr. Duley, no; Mr. Madras, no; Dr. Dunn-Norman, yes; Mr. Ransom, yes. With a split vote of 3 no and 3 yes, the motion did not carry and the exemption was denied.

ALTAVISTA ENERGY SPECIAL PROJECT STATUS REQUEST FOR THE MCCLINTOCK LEASE

Mr. Frick with AltaVista Energy gave a presentation regarding their special project status request for the McClintock lease which is located in Jackson County. At the April, 2011 meeting, an order was issued setting the spacing in Jackson County as 2.5 acres instead of 40 acres. This petition requests the Council allow for the liberal location (less than 2.5 acres) of both production and injection wells within this lease. This will allow AltaVista Energy to utilize enhanced recovery techniques to recover oil on this lease which otherwise would be unrecoverable due to the geologic occurrence of the oil reservoir and the properties of the oil itself. Dr. Dunn Norman made the following motion: "I move that we approve AltaVista Energy's special project status request for the McClintock Lease. Mr. Gunn seconded the motion. Roll call vote: Mr. Gunn, yes; Mr. Luebbert, yes; Mr. Duley, yes; Mr. Madras, yes; Dr. Dunn-Norman, yes; Mr. Ransom, yes. Motion carried.

PETER MCCLUNG LOCATION VARIANCE REQUEST FOR A PRIVATE GAS WELL

Mr. McClung did not attend the meeting. Therefore, this agenda item was not discussed.

SCHEDULING AND LOCATION OF OCTOBER 18, 2011 MEETING

After discussion, Council agreed to have the meeting in Jefferson City, MO on Wednesday, October 19, 2011 in the afternoon.

OTHER BUSINESS

No other business was brought before the Council.

ROLL CALL VOTE FOR NEXT CLOSED SESSION

Mr. Gunn made a motion that the State Oil and Gas Council meet in closed session before the next regular Council meeting for the purpose of discussing matters protected from disclosure by law as provided for in Section 610.021, RSMo., including but not limited to: legal actions, pending litigation, and attorney-client privileged matters with the Council attorney. Mr. Luebbert seconded the motion. Motion carried.

ADJOURNMENT OF MEETING

As no other business was brought before the Council, Dr. Dunn Norman moved to adjourn the meeting. Mr. Ransom seconded the motion. Motion carried. Open meeting was adjourned at 11:26 a.m.